CED

*CED is a nonprofit, nonpartisan organization that has for 60 years worked with the business and academic communities to address the critical economic and social issues facing American society*

# PROMOTING U.S. ECONOMIC GROWTH AND SECURITY THROUGH EXPANDING WORLD TRADE

## A CALL FOR BOLD AMERICAN LEADERSHIP


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**A Policy Statement by the Research and Policy Committee of the Committee for Economic Development**

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## RESPONSIBILITY FOR CED STATEMENTS ON NATIONAL POLICY

The Committee for Economic Development is an independent research and policy organization of some 250 business leaders and educators. CED is non-profit, non-partisan, and non-political. Its purpose is to propose policies that bring about steady economic growth at high employment and reasonably stable prices, increased productivity and living standards, greater and more equal opportunity for every citizen, and an improved quality of life for all.

All CED policy recommendations must have the approval of trustees on the Research and Policy Committee. This committee is directed under the bylaws, which emphasize that "all research is to be thoroughly objective in character, and the approach in each instance is to be from the standpoint of the general welfare and not from that of any special political or economic group." The committee is aided by a Research Advisory Board of leading social scientists and by a small permanent professional staff.

The Research and Policy Committee does not attempt to pass judgment on any pending specific legislative proposals; its purpose is to urge careful consideration of the objectives set forth in this statement and of the best means of accomplishing those objectives.

Each statement is preceded by extensive discussions, meetings, and exchange of memoranda. The research is undertaken by a subcommittee, assisted by advisors chosen for their competence in the field under study.

The full Research and Policy Committee participates in the drafting of recommendations. Likewise, the trustees on the drafting subcommittee vote to approve or disapprove a policy statement, and they share with the Research and Policy Committee the privilege of submitting individual comments for publication.

*The recommendations presented herein are those of the trustee members of the Research and Policy Committee and the responsible subcommittee. They are not necessarily endorsed by other trustees or by non-trustee subcommittee members, advisors, contributors, staff members, or others associated with CED.*

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# PURPOSE OF THIS STATEMENT

This policy statement sets out a bold, leadership vision of what a strong and open global trading system should be and offers a series of specific recommendations for U.S. leadership in reaching that goal. It highlights the critical importance of expanding trade under the auspices of the WTO to achieve both global economic growth and security and to reduce poverty in developing countries.

The main text of the statement is short by CED standards in order to be a direct call for action for a comprehensive agenda. The statement should be read in its entirety, including the appendices.


## ACKNOWLEDGEMENTS

This policy statement was developed by the committed and knowledgeable group of business, academic, and policy leaders listed on page vi. We are grateful for the time, efforts, and care that each put into the development of this report.

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## SUMMARY, FINDINGS, AND RECOMMENDATIONS

*The Doha Round of global trade negotiations is in danger of foundering. A successful end to these talks is crucial for America's future economic growth, its international relationships, and its security. The Committee for Economic Development (CED) calls on President Bush to take decisive and immediate action to break the current stalemate by launching an initiative to eliminate trade barriers – beginning with agriculture – at home and challenging others to do the same abroad.*

These steps must be taken not only to enhance the outlook for U.S. economic growth, but also to provide an important avenue by which developing countries can pull themselves out of poverty—a result strongly in the interests of the United States. Trade spurs economic growth and encourages governments to commit to needed domestic reforms. It helps to integrate developing countries, both economically and politically, into the global system and gives them a stronger stake in that system. It reduces the risk of political collapse, which, as seen in places such as Afghanistan and Somalia, can have devastating effects on our own security.

This policy statement sets out a bold vision of what a strong and open global trading system should be and offers a series of recommendations for reaching that goal.

**Specifically, we recommend that the Administration:**

- **Take leadership to delink all agricultural subsidies from prices and production levels, while challenging all developed countries to do the same. Its initiative should also provide open access to our markets for all developing country agriculture exports, and similarly challenge other developed countries to do so.** We can no longer tolerate farm policies that encourage overproduction at the public's expense while impoverishing the developing world.

- **Commit itself to eliminate all tariffs and non-tariff barriers (including quotas) in manufactured goods, without exception, by 2008, and challenge other countries to do the same.** This includes textiles, apparel, and other traditionally protected sectors.

- **Take the lead to eliminate all barriers to cross-border trade in services**. Service exports are the fastest growing category of U.S. export trade and the fastest growing sector in many developing countries.

- **Commit itself and call on others to reduce reliance on anti-dumping and countervailing duty remedies and pledge to tighten procedures and standards for such remedies.**

- **Reaffirm the importance of enforceable commitments and adherence to well-defined trade rules under WTO while seeking to develop procedures that would reduce confrontation and increase the percentage of mediated or negotiated—"out-of-court"—settlements of trade disputes.**

- **Develop and champion adjustment programs throughout U.S. economic sectors dislocated by trade, encouraging workers to shift to new employments without resorting to protection as an "interim" or "transitional" policy.**

- **We urge world opinion leaders—in business, education, government, and elsewhere—to become determined and committed advocates for a successful conclusion to the Doha Round of trade negotiations, which is broadly supported by business organizations and policy institutions in the U.S. and around the world.**

## THE GLOBAL ECONOMY NEEDS U.S. LEADERSHIP

The role of the United States in the world, after September 11 and the wars in Afghanistan and Iraq, is under intense scrutiny. Other nations are eager to see if the United States will continue to embrace the core economic principles and institutions that it has supported over the last half century—global economic integration through open trade and investment, supported by the World Bank, International Monetary Fund, World Trade Organization, and other multilateral organizations.

The Doha Development Round provides a critical opportunity to show the world that the United States will lead all nations in acknowledging and acting on their responsibilities. But the lack of decisive progress in these negotiations has sapped their energy and unduly lowered expectations of success. To reinvigorate these talks, the United States should begin by taking the initiative to eliminate existing trade restrictions, particularly in the area of agriculture. We expect that doing so would galvanize pro-trade constituencies around the world and provide the leadership example for our major trading partners in both advanced and developing economies to reciprocate. We recognize that political realities and temporary hardships will make it difficult for government leaders everywhere to take these bold steps. But the challenge of leadership is to rise above traditional ways of doing things. We appreciate that U.S. officials may be reluctant to lead in the absence of clear indication that other countries will follow. But, the potential gains are well worth the risks, and the option to revert to a more traditional, slower, and less productive negotiating strategy will always exist.

*CED calls on all negotiators to renew their commitments to address issues on the agenda, establish a firm basis for further progress, and conclude negotiations on schedule.*

In addition to the responsibilities of developed countries, developing nations have their own obligation to address a variety of structural reforms within their countries if they are to enjoy the benefits of the world economy. These reforms include pursuing sound economic policies, improving governance, eradicating corruption, promoting transparency, and investing in human development. They should embrace efforts to expand trade through the WTO. Such leadership is needed to attract private-sector resources through foreign investment and to promote long-term economic growth, which is necessary to reduce poverty.

This statement is being written as trade ministers prepare to meet in Cancun, Mexico (September 10-14, 2003). The meeting is an important stocktaking session to measure progress towards the ultimate goal of an agreement to expand trade and promote economic development. As with most negotiations, progress may be difficult to measure prior to a final agreement, which is scheduled to be concluded before January 1, 2005. Visible leadership by the United States at the Cancun meeting is necessary to achieve these goals.

## WHAT IS AT STAKE IN THE DOHA ROUND?

Globalization—the integration of markets around the world—is a positive force for economic growth, development, security, and poverty reduction. As the world draws closer together, trade policy plays an ever more important role in addressing various public concerns.[1] Today, it relates strongly to three major economic and political problems facing the United States:

- inadequate economic growth domestically and globally;
- the need to help developing and transition countries establish more stable and prosperous societies; and
- the need to strengthen cooperative action with other nations.

**Pursuing Growth at Home and Abroad.** Strengthening our domestic economy relies in part on economic conditions and institutions outside our borders. A successful conclusion to the trade talks would help spur economic growth, both in the United States and elsewhere. Numerous economic studies have made this point. (Appendix 1 identifies recent studies and statements on trade and economic growth).

But the costs of failure could be even larger than the gains from success. Failure would not leave a benign *status quo.* Instead, it could initiate an unraveling of trade policy, starting with a reversal of open trade provisions and the greater use of regulation to restrict trade. Such a spiraling of protectionism would harm the United States and the rest of the world. It would undermine the confidence that developing countries should have in the WTO. It could fuel nationalist rivalries, which would reduce economic growth and the security of all countries.

*We must choose in the Doha negotiations whether the world economy will go forward or back.*

**Promote Sustainable Economic Development.** As important as the Doha Round is to the United States, it is even more important to developing countries that seek to realize the full promises of globalization. Developing countries that have opened their economies to trade and carried out other appropriate economic policies have grown and reduced their internal poverty far faster than those that have not. Studies of merchandise trade liberalization show that the developing countries would be major beneficiaries of more open trade from a successful round of negotiations. Should these negotiations fail to open trade opportunities for all developing countries, they would shut off a crucial channel for attacking global poverty and add to global instability. Trade agreements that help the developing world help the United States by enlarging our own markets and creating a more secure, responsible, and interdependent world.

*The U.S. must champion trade to achieve sustainable development and reduce global poverty*

**Strengthening Cooperative Action With Other Nations.** Since World War II, U.S prosperity has been built on a foundation of multilateral economic, political, and security alliances. The United States now finds itself at odds with some of the leading countries of Europe. The political and diplomatic rifts that developed between the United States and other countries, as part of the build-up to the Iraq War, must be rectified.

Trade talks can be a vehicle not only to promote global economic growth, but also to mend political relations. Similar to the economic front, failure to achieve positive results would most likely increase animosity and resentment against the United States and cause a further decline in other countries' willingness to cooperate on such vital goals as fighting terrorism, ending the proliferation of weapons of mass destruction, and improving economic policy coordination. As important, the attitudes and actions of U.S. officials have a demonstration effect on others. That is, other governments, especially those of developing countries, may be more willing to acknowledge their own responsibilities and undertake cooperative actions if the United States shows that it is willing to do so.

*The United States must use its leadership to promote greater cooperation among all nations.*

## MAJOR TRADE ISSUES IN THE DOHA ROUND

The agenda of negotiations in the Doha Round is extensive. There are many important issues that we have not fully examined in this paper, such as the roles of intellectual property, labor rights, and the environment, just to name a few.[*] (Many of these issues are acknowledged in Appendix 1. Appendix 2 lists all the topics in the work program of the Doha Declaration.)

*The full agenda of the Doha Round is broadly supported by many business organizations in the U.S. and around the world. In addition, there are many responsible voices and analyses providing support. We join a large and diverse group in calling for all governments to abandon policies that distort and inhibit international trade.*

Our recommendations are focused on five key areas that must be dealt with to achieve a successful round: creating freer and more open markets in *agriculture*, removing remaining barriers to trade in *manufacturing*, expanding trade in *services*, improving the way *WTO rules* work, and improving domestic *economic adjustment*.

### REFORMING AGRICULTURE AND EXPANDING MARKET ACCESS

**The Administration should take leadership to delink all agricultural subsidies from prices and production levels, while challenging all developed countries to do the same. Its initiative should also provide open access to our markets for all developing country agriculture exports, and similarly challenge other developed countries to do so.**

Agriculture, again, is the lynchpin of the Doha Round negotiations, and our recommendation calls for bold leadership. Many developing countries view the opening of agricultural trade as the primary goal of these

[*] As this is being written, several issues still await the political consensus necessary to restore momentum to the Doha Development Round negotiations. Notably, discussions are continuing on finding ways to enhance access to necessary medicines for the world's poorest people. At the November 2001 Doha Ministerial meeting, WTO Members clarified that the Agreement on Trade-Related Intellectual Property Rights (TRIPS) provides the requisite flexibilities to allow member governments to override patents to address public health crises—but left for later resolution the question of how countries without domestic manufacturing capacity could benefit from these flexibilities. The Administration must ensure that any solution to address this issue be consistent with TRIPS and the Doha Declaration on TRIPS and Public Health, and balance the concerns of the poorest developing countries with the imperative of preserving the system of intellectual property rights so that the pharmaceutical industry can continue to invest in biomedical innovation.

negotiations, and these countries could prevent progress on other agenda items if agricultural issues are not resolved.

Most developed countries protect and subsidize their agricultural sectors in ways that hinder the growth of agriculture and, in turn, work to perpetuate poverty in most developing countries. They do so by tying their farm assistance to production, which encourages overproduction and leads to dumping on world markets, which in turn lowers prices for agricultural products abroad. This harms farmers in the developing world, where agriculture accounts for a larger share of income. The process of delinking government subsidies from prices and production has been helped by the recent EU decision to reform its "common agricultural policy" (CAP) and by the US-EU joint proposal on negotiations in agriculture. But the EU reform is not enough; the CAP needs to be reformed further or eliminated; and the US-EU joint proposal is incomplete. The United States must take the initiative now by putting forth a comprehensive and specific plan for eliminating export and production subsidies and opening market access in agriculture. There is ample justification on domestic policy grounds alone to shift any needed agricultural subsidies from a price and production basis to another standard, such as income, and to open our markets to foreign producers.

*Farm policies that encourage overproduction at the public's expense while impoverishing the developing world cannot be allowed to continue.*

Market Access. The Administration has proposed to liberalize market access by lowering tariffs, eliminating non-tariff barriers, and reducing domestic support; the EU has yet to address market access issues. The U.S. should lead the way by eliminating trade barriers that deny developing countries access to U.S. markets for such products as sugar, orange juice, peanuts and cotton. This can be done without compromising normal U.S. health and safety standards.

One of the primary achievements of the Uruguay Round was to convert import quotas and other quantitative restrictions to bound tariffs—maximum levels, pledged by government, which are more transparent, less distorting, and more susceptible to being reduced. But average bound agricultural tariffs in the OECD countries are estimated to be 60 percent, compared to average industrial tariffs of less than 4 percent. U.S. tariffs and tariff-rate quotas effectively prohibit the importation of many agricultural products that could be important sources of income for many developing country producers and of lower prices for U.S. consumers.

Export and Production Subsidies. Domestic agricultural programs within OECD countries are already widely recognized as expensive failures—consumers and taxpayers pay most of the costs while the intended beneficiaries, farmers, receive only about one-quarter of the support (the rest being diverted to higher prices of land and other inputs).[2] Those subsidies distort trade by lowering prices for subsidized commodities on world markets and making it harder for (mostly developing country) producers to compete. And although subsidies help some (developing country) consumers, on net the costs greatly exceed the benefits. Moreover, although they are often justified as helping small, family farms, subsidies in OECD countries disproportionately go to larger agricultural enterprises.[3] In general, subsidies run counter to the spirit of WTO trade rules and to provisions of the WTO that apply to manufactured goods. We recognize how difficult it will be politically to change established programs. Farm communities are a vital part of all countries' economic and social fabric. But farm policies that encourage overproduction at the public's expense while impoverishing the developing world cannot be allowed to continue.

## ELIMINATING TARIFFS AND NON-TARIFF BARRIERS IN MANUFACTURING

**The Administration should commit itself to eliminate all tariffs and non-tariff barriers (including quotas) in manufactured goods, without exception, by 2008, and challenge other countries to do the same.**

Although average customs duties are now at very low levels, certain tariffs, especially on exports of developing countries, continue to restrict trade. For example, tariffs on clothing and simple manufactured items are often significantly higher than tariffs on other manufactured goods. In addition, "tariff escalation" imposes higher import duties on semi-processed and finished products than on raw materials and yields an effective level of protection that exceeds the nominal rate. These policies protect domestic processing industries and discourage the development of processing activity in the developing countries where raw materials originate. Thus, at the start of the Doha Round trade negotiators agreed to the goal of reducing or eliminating tariffs, "including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries."[4]

The Administration has proposed "zero tariffs in all consumer and industrial products in all WTO members by 2015," through a two-phase plan. In the first phase, a five-year period (2005-2010), members would eliminate or reduce and harmonize tariff levels. In the second phase, all remaining tariffs would be eliminated by 2015. The elimination of remaining tariffs on consumer and industrial products is estimated to raise U.S national income by $95 billion annually. It would particularly help lower-income consumers in the United States, whose purchases of basic food products, clothing, and shoes account for much of the $18 billion in tariff revenue collected annually by the U.S. government.

There is room for the United States to improve its proposal by accelerating the timeframe for eliminating tariffs and quotas, and the *Bipartisan Trade Promotion Authority Act of 2002* grants the President sufficient authority to initiate this process. Doing so would accelerate the benefits to U.S. consumers and provide a needed breakthrough in the Doha negotiations. It would challenge other countries to follow the U.S. example by making it clear that the Administration or its immediate successor was bound to such a policy. Without reciprocal tariff cuts, the President would be prevented under current legislation from completely eliminating all tariffs and would find it exceedingly difficult to obtain additional legislative support for cutting tariffs. That gives our trading partners strong incentive to reciprocate. If the EU and other advanced economies would follow suit, the benefits to themselves, the United States, and developing countries would easily justify the tariff cuts.

Tariff levels, however, are only one metric for trade liberalization. The Administration should give the same negotiating priority to non-tariff barriers to trade (NTBs)—standards and regulations that effectively discriminate against imports and prevent legitimate access to domestic markets. In many industries, NTBs rather than tariffs are the primary obstacle to market access. We should make sure both that existing non-tariff restrictions against U.S. exports are rolled back and that as tariffs are cut they are not replaced with new non-tariff barriers. Although it is understandable that governments find this to be a difficult challenge, since tariffs and quotas are visible and NTBs, by design, are complicated and opaque, failure to forcefully address NTBs will encourage their continued and even expanded use to protect domestic industries in developed as well as developing countries.

## LOWERING BARRIERS AND EXPANDING TRADE IN SERVICES

**The Administration should take the lead to eliminate barriers to cross-border trade in services.**

While trade restrictions on manufactured goods have been significantly reduced through previous rounds of negotiations, services trade remains hobbled. The United States is already the world's largest exporter and importer of services, and service exports have been the fastest growing category of U.S. export trade. In 2001, exports of private-sector services were $266.2 billion, resulting in a surplus of $74 billion.[5] Many U.S. service industries are already substantially open to foreign competition. Consistent with this existing openness and the U.S. comparative advantage in many services, the Administration has offered to greatly expand other countries' access to U.S.-provided services and hopes to obtain comparable access to others' markets, while standardizing when possible many aspects of services regulation.

Services are of perhaps even greater importance in developing countries. Liberalizing services trade would benefit developing countries by giving them both greater access to lower-cost service imports and greater opportunities to sell their own services to others. Service imports help improve the "soft infrastructure" of modern economies by improving communications, finance, and transportation, all of which lower the structure of business costs and make the entire economy more competitive. In many developing countries, services are the fastest growing sectors. Commerical service exports from all developing countries rose from $189 billion in 1991 to $399 billion in 2000.[6] Their share of global services exports rose over that period from 23 percent to 28 percent. In particular, developing countries have strong interests in tourism and information technology services, such as call and data centers. *Global reductions in the barriers to service trade are strongly in the U.S.'s interest, both directly for U.S. suppliers and indirectly by offering increased opportunities to developing countries.*

## MAINTAINING AN OPEN TRADING SYSTEM

**The Administration should commit itself and call on others to reduce reliance on anti-dumping and countervailing duty remedies and pledge to tighten procedures and standards for such remedies.**

**It should reaffirm the importance of enforceable commitments and adherence to well-defined trade rules under WTO while seeking to develop procedures that would reduce confrontation and increase the percentage of mediated or negotiated—"out-of-court"—settlements of trade disputes.**

Confidence that the international trading system will operate in a fair and unbiased manner allows that system to prosper. Thus, the United States has much to gain from an improved system of dispute settlement and enforcement. The developing countries also have much to gain from a strengthened WTO, which would enforce equitable trade rules. Small and less powerful countries benefit from a system that requires their more powerful counterparts to adhere to a common set of rules. The existence of such rules, and the means to enforce them, gives developing country governments the confidence to undertake pro-growth policies and lowers risks for international investors to commit private capital for projects in developing countries. The benefits to the United States from this type of global growth far outweigh any narrow gains we might achieve by flouting global trade rules.

Any system will have disagreements, but the processes for resolving disputes and other sources of friction within the trade system must be improved. Some of those processes are multilateral, such as the existing dispute settlement system; others are unilateral, such as anti-dumping and countervailing duty laws, which have proliferated among WTO members. Still other issues may involve bilateral and regional arrangements, such as disagreements between the United States and the European Union over such topics as regulation of genetically modified foods and the U.S. law on so-called Foreign Sales Corporations, which the WTO considers a violation of trade rules. The expansion of preferential trade agreements has generated disputes and raised significant issues about the discrimination such agreements create with respect to non-preferred countries. At the same time, bilateral and regional agreements that are consistent with the WTO expand trade and reinforce growth-oriented economic policies in developing countries based on open trade.

The current system appears fragile and vulnerable to being overwhelmed by the volume and fractiousness of disputes. A weakened system will cause countries to question their commitment to the WTO. Negotiations must aim towards keeping problems from reaching critical mass. *The U.S. must participate in a rewriting of the procedures for resolving trade disputes, including the scaling back of existing rights to take unilateral action against imports, in the interests of greater trade and economic growth.*

## DOMESTIC ADJUSTMENT

**The Administration should develop and champion adjustment programs throughout U.S. economic sectors dislocated by trade, encouraging workers to shift to new employments without resorting to protection as an "interim" or "transitional" policy.**

CED has long recognized that policies to expand international trade and investment must be coupled with policies to facilitate domestic economic adjustment. As CED has previously noted, economic growth cannot be achieved without such adjustments in the allocation of labor and capital.[7] Unavoidably, some workers, firms, and communities are hurt by economic change, even as the vast majority are helped. Moreover, anxiety about job loss, even if unrealized, fuels political resistance to trade agreements. Therefore, as a matter of equity and as a pragmatic necessity, efforts must be made to reduce worker anxiety and implement effective programs to facilitate adjustments to growth-promoting economic change. Such programs, which have traditionally focused on manufacturing, may also be appropriate in the agriculture and services sectors. We note that in most instances the transition periods to implement trade agreements take several years to complete. Such transitions allow plenty of time for the United States and other nations to make necessary domestic adjustments.

*We must reduce worker anxiety and implement effective programs to facilitate adjustments to growth-promoting economic change.*

In previous CED policy statements, we have endorsed education, retraining, and other forms of assistance to dislocated workers. Most recently, we supported a modest system of temporary supplemental wage and health assistance to workers who are displaced by trade and reemployed at less than their previous wage.[8] A demonstration program along these lines was initiated in conjunction with renewal of the President's authority to negotiate new trade agreements. Although this program has just recently been launched, it has the potential to become an important model for a more comprehensive program not specifically tied to trade agreements.

## CONCLUSION

**World opinion leaders—in business, education, government, and elsewhere—should become determined and committed advocates for a successful conclusion to the Doha Round of trade negotiations, which is broadly supported by business organizations and policy institutions in the U.S. and around the world.**

Trade is a cornerstone of the global economic system:

- it contributes to U.S. economic growth and global security; and
- it contributes to and reenforces efforts by developing countries to achieve economic growth, poverty reduction, and sustainable development.

An important reason to work towards a successful conclusion to the Doha Round is simply to preserve the existing multilateral, rules-based trade system. As the largest trader of both goods and services, the United States would benefit substantially from more open global markets. We are as concerned with maintaining a sound rules-based trading system and continuing the existing volume of trade (which amounted to nearly $8 trillion in goods and services exports globally and about $1 trillion in the United States) as with expanding the system and increasing the amount of trade. A collapse of the trade negotiations could give rise to retrenchment—more disputes, restrictions, discrimination, and further politicization of trade—leading to a slowdown or reduction in trade volume and a loss of associated benefits. Conversely, expanding opportunities for trade will help all countries, but especially developing and transition countries, to achieve greater prosperity. As other nations grow economically, they become better markets for U.S. exports of goods and services.

While controversial to some audiences, globalization is a clear benefit to our collective future. However, the United States, along with the European Union and Japan, still maintains barriers to imports from developing countries and subsidizes the overproduction of farm products that are dumped on world markets at artificially low prices, directly reducing the incomes of farmers in developing countries. Thus, segments of the developing world view the United States as insincere in its commitment to globalization. We cannot depend on other nations to provide the necessary leadership to overcome that perception; only the United States is in a position to do that.

*CED joins with other business groups in urging U.S. political leaders to take the bold steps necessary to expand trade and economic opportunity and address the issues of global poverty and security. We urge developing country leaders to stand up to their responsibilities to embrace efforts to expand trade and address reforms within their own countries, so their nations can enjoy their rightful benefits in the world economy.*

# ENDNOTES

[1] CED has dealt with a number of these concerns—reducing global poverty, improving the environment, encouraging democracy and freedom—in previous publications. See, Committee for Economic Development, *A Shared Future: Reducing Global Poverty* (New York, NY: CED, 2002); *From Protest to Progress: Addressing Labor and Environmental Conditions Through Freer Trade* (New York, NY: CED, 2001); *The Case for Permanent Normal Trade Relations with China* (New York, NY: CED, 2000).

[2] Patrick Messerlin, "Agriculture in the Doha Agenda," paper prepared for the World Bank Roundtable on Policy Research in Preparation for the 5th WTO Ministerial, Cairo, May 20-21, 2002.

[3] OECD, *Farm Household Income: Issues and Policy Responses* (Paris: OECD, 2003).

[4] Doha Declaration.

[5] U.S. International Trade Commission, "ITC Reports Continued Strong Trade Performance by U.S. Service Industries Despite Reduced Trade Volume," News Release 03-053, Inv. No. 332-345, June 5, 2003. Available at <www.usitc.gov/er/nl2003/ER0605aa3.htm>.

[6] U.S. Department of Commerce, "Services and the Doha Agenda," April 2003.

[7] Committee for Economic Development, *American Workers and Economic Change* (New York, NY: CED, 1996).

[8] CED, *From Protest to Progress: Addressing Labor and Environmental Conditions Through Freer Trade*, pp. 17-19.

# APPENDIX 1: PUBLIC STATEMENTS ON TRADE ISSUES

## INTRODUCTION

Appendix 1 summarizes and, in some cases, excerpts various studies and statements on the importance of trade and trade negotiations. They reflect the breadth and depth of professional input on various aspects of trade policy and mechanics, all of which has relevance to the vision and goals of this CED paper. The citations are meant to convey the broad interest in trade among various groups, and are not intended to be a comprehensive survey of the field. Nor do all these statements agree in every respect with CED's views on trade; some are critical of trade or aspects of the trading system. But the vast majority of these studies and statements support expanding trade opportunities.

The citations are presented alphabetically within five major headings:

- Economic policy studies by academics and other researchers
- Statements by business and other organizations
- Statements by foreign organizations and individuals
- U.S. government statements
- Editorial comment

They cover such issue areas as:

- Labor market linkages
- Investment linkages
- Importance of trade to developed and developing countries
- Economic and global security
- Structure of the World Trade Organization (WTO)
- Multilateral vs. Bilateral and regional trading agreements
- Pros and Cons of Free Trade Area of the Americas (FTAA)
- Specific concerns in services, agriculture, and manufacturing
- Adjustment policies
- Market access
- Intellectual property
- Political relations between the United States and the European Union
- Exchange rate misalignment

## ECONOMIC AND POLICY STUDIES

**Claude E. Barfield, "The Role of International Trade and Investment," (Washington, D.C.: American Enterprise Institute for public Policy Research, January, 2002).**

Historically, the U.S. economy has largely operated as an independent, self-contained unit. While it had a substantial negative impact on the U.S. economy during the depression of the 1930s, trade (exports plus imports) as a percentage of the total U.S. economy never even reached 10 percent. Today the U.S. economy is more affected by international trade and investment. "Thus getting it right on international trade and investment policy is an indispensable component of any U.S. strategy to combat the growing menace of recession."

**Claude E. Barfield, "WTO Dispute Settlement System in Need of a Change," (Washington, D.C.: American Enterprise Institute for public Policy Research, May, 2002).**

"Ironically, the United States and the European Union are victims of too much substantive success in multilateral trade negotiations, combined with overreaching in the area of dispute resolution. As unlikely as that proposition sounds, it is a highly plausible explanation of the most important conflicts that have beset trade relations between the two trade superpowers since the creation of the World Trade Organization in 1995." Barfield makes the following recommendations for change in the WTO's dispute settlement system "to reintroduce some elements of the older GATT diplomatic approach, with an emphasis on mediation and conciliation rather than legal fiats, and to rein in the judicial bodies and thereby lessen both sovereignty and legitimacy concerns."

**Fred Bergsten (Institute for International Economics), "The Correction of the Dollar and Foreign Intervention in the Currency Markets," (testimony before the Committee on Small Business, Washington, D.C., June 25, 2003).**

According to Bergsten, the first phase of the correction of the exchange rate of the dollar occurred smoothly and effectively over the prior seventeen months. As a result, the United States' current account could improve over the next several years by $100.0 billion. A second phase of the dollar correction of roughly equal magnitude but different composition is required. Much of the fall of the dollar would occur against currencies of China, Japan, and other countries in East Asia. China and Japan must change their policies to take this into consideration.

**Jagdish Bhagwati, "Free Trade and Labour," Financial Times, August 29, 2001, available at** http://www.columbia.edu/~jb38/papers/ft_lab.pdf.

According to Bhagwati, while issues of competition, investment policies, and environmental questions are negotiable, the case for labor standards is not. Two main arguments commonly used to study the linkage between free trade and labor are as follows: "Egotistical reasons reflecting fears that in the absence of linkage, the real wages and labour standards of the workers in rich countries will collapse. The other reason being altruistic concerns about the real wages and labour standards elsewhere." Unions fear free trade with poor countries will reduce the real wages of workers and deteriorate domestic standards as capital moves to poor countries with lower labor standards. However, Bhagwati argues that these fears are not justified and it is wrong to insist that the WTO address labor standards.

**Jagdish Bhagwati and Arvind Panagariya, "Bilateral Trade Treaties Are a Sham," Financial Times, July 13, 2003.**

The authors enumerate the ways in which bilateral agreements threaten the multilateral trading system. First, bilateral trade agreements undermine the basic principle of the World Trade Organization that "the lowest tariff applicable to one member must be extended to all members." Second, following Europe's lead, Americans are pursuing the use of bilateral trade agreements with great zeal and "exploiting their hegemonic power and the lure of preferential access to a multi-billion dollar market." Third, America's engaging in bilateral trade agreements weakens the power of poor countries in multilateral trade negotiations. Moreover, according to the authors, the ultimate objective of bilateral liberalization is the "capture, reshaping and distortion of the WTO in the image of American lobbying interests."

**Lael Brainard and Robert E. Litan, "No Stepping back: America's International Economic Agenda for 2003-05," in The Brookings Review, vol. 21 (Washington, D.C.: The Brookings Institution Press, 2003), pp. 32-37.**

September 11 increased the interest of wealthier nations in strengthening the trading system. By removing barriers to trade, wealthy nations can address global instability arising from trade policies that distort international trade and prevent millions of the world's poor from realizing gains from trade. The United States' security requires cooperation from the rest of the world and constant effort to maintain the United States' preeminence in the international economic order.

**Drusilla K. Brown, Alan V. Deardorff, and Robert M. Stern, "Computational Analysis of Multilateral Trade Liberalization in the Uruguay Round and Doha Development Round," Working Paper No. 489 (Ann Arbor, MI: The University of Michigan, School of Public Policy, December 2002).**

This paper uses the Michigan Model of World Production and Trade to simulate the economic effects of the Uruguay Round of multilateral trade negotiations of 1993-94. The authors estimate that global economic welfare increased by $73.0 billion following the Uruguay Round negotiations. Overall, developed countries realized an estimated welfare gain of $53.8 billion, and developing countries an estimated gain of $19.2 billion.

Assuming a 33 percent reduction in trade barriers in the ongoing Doha Development Round, this paper estimates an increase in global welfare of $574.0 billion. Due to assumed reductions in export subsidies, there is a global welfare decline of $3.1 billion from agricultural liberalization. However, there are global welfare gains of $163.4 billion from reductions in manufacturing tariffs and $413.7 billion from reductions in barriers to services. "All of the countries/regions covered in the Michigan Model show overall welfare increases, with the largest absolute gains going to the developed countries."

**Mary E. Burfisher, ed., *Agricultural Policy Reform in the WTO—Summary Report* (Washington, D.C.: Economic Research Service, U.S. Department of Agriculture, January 2001).**

Removing distortions caused by agricultural trade barriers and producer subsidies would result in an annual global welfare gain of $56 billion. Currently, the major factor restricting global trade is tariff protection. The USDA estimates static global economic gains from the elimination of tariffs to be $31.0 billion. Developed countries stand to receive the largest portion of the gains, since they have the majority of policy distortions. $28.5 billion of the potential static welfare gains from full policy reform accrue to developed countries, while $2.6 billion accrue to developing countries. While most of the static welfare gains accrue to developed countries, emerging and developing countries realize most of the potential dynamic welfare gains from full policy reform. In the long run, welfare in developing countries increases by $21.0 billion per year, 40 percent of which comes from agricultural policy reform. The USDA report estimates that nearly one-quarter of the global welfare benefits, approximately $13.3 billion per year, would accrue to the United States.

**Gary Burtless, Robert Z. Lawrence, Robert E. Litan, and Robert J. Shapiro, *Globaphobia: Confronting Fears about Open Trade* (Washington, D.C.: The Brookings Institution Press, 1998).**

Since the end of the World War II, the United States' policy of openness has benefited the nation and the rest of the world. "Those benefits are threatened, however, by a rising chorus of complaints about the impact of globalization and the policies that have helped to make world economic integration possible." According to the authors, most of these complaints are not supported by substantial empirical data; however, they are widely believed by many Americans who are concerned about slow income growth, widening inequality, and worker dislocation. The authors demonstrate that globalization has not reduced availability of jobs, nor has it reduced the average wage. "It has played only a small part in the deteriorating situation of America's least skilled workers." The authors note, however, that some complaints have an empirical basis. "Global integration has contributed to a small degree to the increase in wage disparities." The authors suggest various policies aimed at reducing the adverse effects of globalization on American workers.

**The Center for Strategic and International Studies, *CSIS Conference Report: Trade Policy Challenges in 2003*, (Washington, D.C.: The Center for Strategic and International Studies, February 2003).**

The conference involved six former US trade representatives addressing trade policy challenges. All six highlighted the importance of a successful Doha Round and the need for reform in order for developing and transitional countries to flourish. They stressed developmental aid in Latin American countries, increased US-EU cooperation, increased focus on trade with Muslim countries as a way to address terrorism, and progress towards FTAA as factors that will have significant implications for the success of the Doha Round.

**The Commission on Capital Flows to Africa, *A Ten-Year Strategy for Increasing Capital Flows to Africa*, (June 2003).** http://www.africacncl.org/Publications/Commission_on_Capital_Flows_to_Africa.pdf

The Corporate Council on Africa and other private-sector organizations created the Commission on Capital Flows to Africa to focus attention on the need for increased flows of private-sector capital. The commission also made recommendations in related economic topics. With regard to trade liberalization, the report finds that two major dimensions of current US trade policy adversely affect Africa: US domestic agricultural subsidies and AGOA. "To help stimulate investment and economic growth in Africa, farm subsidies in the United States and other G-8 countries should be reduced or eliminated as quickly as possible, and AGOA should be extended and strengthened."

**Uri B. Dadush, Development Outreach: *Toward a Pro-Poor Trade Agenda* (Washington, D.C: World Bank, July 2003).**

This issue of Development Outreach looks at controversial issues in the Doha Development Agenda. Some of the important issues include the following: market access for developing countries to promote poverty-focused development, agricultural reform, and the danger of assuming Doha round resolutions will necessarily alleviate poverty. Benefits from trade reforms and liberalization would be more effective if combined with appropriate complementary policies. Moreover, "Trade preferences without MFN access for the products produced by other developing countries will not benefit the majority of the world's poor, since most of the world's poor live outside the LDC's."

**Kimberly A. Elliot and Richard B. Freeman, *Can Labor Standards Improve Under Globalization?* (Washington, D.C.: Institute for International Economics, June 2003).**

The authors examine what is being done in the area of labor standards in a more integrated global economy. They conclude that the ILO should assume responsibility for labor standards, and the WTO should address violations of core labor standards if they are related to trade.

**Sara J. Fitzgerald, "Trade Policy: Promoting Prosperity at Home and Abroad," in *Agenda 2003: Shaping America's Future* (Washington, D.C.: The Heritage Foundation Press, 2003), pp. 157-161.**

According to Fitzgerald, to regain America's leadership position on trade, the United States' Administration should ratify free trade agreements with Singapore and Chile, support new trade agreements, reduce agricultural tariffs and subsidies at home, continue trade liberalization through the current Doha round of trade negotiations, and advance the concept of a Global Free Trade Association.

**Daniel T. Griswold, "Free-Trade Agreements: Steppingstones to a More Open World," (Washington, D.C.: Center for Trade Policy Studies, CATO, July 10, 2003).**

Free trade agreements (FTAs) strengthen the United States economy by allowing the introduction of new import competition into domestic markets. . FTAs are the most beneficial when focused on countries whose producers will increase competition within the U.S. According to Griswold, the FTAs proposed by the Bush administration are appropriate and should be pursued. Also, Griswold argues that FTAs provide institutional competition to enhance multilateral talks and spur regional integration.

**Gary C. Hufbauer and Ben Goodrich, *More Pain, More Gain: Politics and Economics of Eliminating of Tariffs* (Washington, D.C.: Institute for International Economics, Policy Brief, June 2003).**

For a tariff-free world, WTO members will have to accept that imports as well as exports are good for national welfare. A tariff elimination proposal needs to be carefully designed to maximize the benefits to developing countries while giving them enough time to accept, and adjust to, the changes that trade liberalization will require. "Trade liberalization should not stop with tariff elimination. The United States and other industrial countries should be generous in their proposals to reduce subsidies to their farmers and eliminate non-tariff barriers on agricultural imports."

**Gary C. Hufbauer and Ben Goodrich, "Import Restrictions on Steel: Doubtful Benefits, High Costs" (report to Emergency Committee for American Trade, Washington, D.C., January 2002), available at** http://www.ecattrade.com/publications/HufbauerReport.pdf.

The authors argue that if trade protection could promote industrial prosperity then the US steel industry would be doing well. However, trade protection does not solve problems stemming from high-cost capacity, legacy costs, and rigid work rules. New import restrictions would negatively affect domestic steel users and foreign steel producers. The import constraints proposed by various ITC Commissioners would cost the United States between $9.5 billion and $15.0 billion over four years and foreign steel exporters $23.0 billion in lost shipments. "At most, the value of domestic steel production would rise by half the cost imposed on domestic users and foreign suppliers. If the United States imposes strong remedies, foreign countries will be less willing to cooperate with the United States in multilateral negotiations."

**International Monetary Fund, *World Economic Outlook: Trade and Finance* (Washington, D.C.: International Monetary Fund, September 2002).**

This issue contains essays on trade and its link with finance. The IMF estimates that the ratio of trade to GDP from 1981-85 to 1997-2001 increased by 3.9 percentage points in industrial countries and 15.4 percentage points in developing countries. Over the same period, the ratio of external financing to GDP increased by 77.3 percentage points in industrial countries and 19.9 percentage points in developing countries.

Heavy subsidization of agricultural commodities by industrialized nations places a burden not only on the consumers and taxpayers in industrialized countries but also on the rest of the world. If all countries removed their agricultural protection, it is estimated that all regions of the world would gain $128.0 billion, with about three-fourths of the gain accruing to industrialized countries and one-fourth of the gains to developing countries. "Industrial countries should be in the vanguard of multilateral efforts to get rid of farm subsidies given the large resources at their disposal and the small size of their farm sectors."

It is also observed that benefits from opening economic policies are greatest, as measured by reduced macroeconomic volatility and fewer financial crises, when both trade and finance policies are targeted.

**Sydney J. Key, *The Doha Agenda: Issues for the Financial Services Negotiations* (Washington, D.C.: American Enterprise Institute for Public and Policy Research, forthcoming September 2003).**

Key's study identifies six main goals for the financial services negotiations in the Doha round and emphasizes the importance of the Doha round in helping to accelerate trade liberalization in financial services.

**Lori Kletzer and Robert Litan, "A Prescription to Relieve Worker Anxiety," International Economics Policy Brief Number PB01-2, (Washington D.C.: Institute for International Economics, March 2001).**

Trade liberalization is often a focal point for worker anxiety about job insecurity because job loss is costly for workers. The authors propose wage insurance programs and health insurance subsidies for qualifying displaced workers. To encourage rapid reemployment, these programs would compensate workers once they have found a new job.

**Organization for Economic Co-operation and Development (OECD), *The Development Dimensions of Trade*, (Policy Brief, Washington, D.C: OECD, October, 2001), available at** http://www.oecd.org/dataoecd/20/26/2431455.pdf.

"Economic success in non-OECD countries is generally associated with progressive integration into the world economy." The study enumerates two factors responsible for facilitating integration: domestic reforms to establish conditions allowing industries access to global production networks and liberalization to reduce barriers to the free flow of goods, services and investment across borders. Market access represents the single most important issue between OECD and non-OECD countries. A multilateral round offers the best chance to address multiple trade issues since it offers a wide range of potential tradeoffs and broad coverage of a large number of markets.

**Nicholas Stern, "Making Trade Work for Poor People" (speech delivered at National Council of Applied Economic Research, New Delhi, India, November 28, 2002).**

Annual per capita economic growth in India increased from less than one percent per year during the 1960s and 1970s to around 3 percent per year in the 1990s. As a result, there has been a 5 to 10 percent reduction in national poverty rates. Trade policy reform played a major role in spurring economic growth during this period. Stern points out that by 2015 developing countries stand to gain around $75.0 billion annually in real income from unilateral liberalization of merchandise trade by OECD countries, and around $120.0 billion from their own liberalization. This would reduce the number of people living in poverty by 13 percent in 2015. Drawing on the experience of India and developing countries around the world, Stern identifies trade reform priorities for rich countries and developing countries. He also describes the actions that developing countries themselves must take to ensure that trade benefits poor people.

**United States International Trade Commission, *The Economic Effects of Significant U.S. Import Restraints*, (Washington, D.C.: United States International Trade Commission, June 2002).**

The study provides a quantitative assessment of the effect of significant U.S. import restraints on U.S. consumers and on economic welfare in the United States. In this report, if all trade barriers considered had been simultaneously eliminated during the base year, 1999, the result would have been equivalent to an approximate welfare gain of $14.3 billion to the U.S. economy.

**The World Bank, Global Economic Prospects and the Developing Countries 2002, (Washington, D.C.: The World Bank, December 2001).**

In 2001, economic growth rates in developing countries fell drastically. Growth rates in trade underwent the most severe deceleration of modern times, from over 13 percent in 2000 to 1 percent in 2001. Moreover, September 11 raised the risk of a global downturn. As a result, world leaders decided to intensify talks to open markets and expand trade.

The outcome of new trade talks is as uncertain as the global outlook. Developing countries have become an important part of the global trading system and they have much to gain from expanded trade. But there is some concern amongst developing countries that multilateral trading rules having become less fair and less relevant to their development concerns.

The study indicates that developing countries could realize an estimated gain of about $185 billion simply from the global elimination of import tariffs, export subsidies, and other domestic subsidies (notably in agriculture). Adding the dynamic gains from anticipated productivity improvements pushes the estimate up to about $530 billion. The World Bank study also concludes that service sector liberalization could yield benefits to developing countries on the order of 4 to 5 times the estimates of merchandise trade liberalization, or roughly $900 billion in static gains.

## PUBLIC STATEMENTS BY BUSINESS AND OTHER ORGANIZATIONS

### U.S. BASED ORGANIZATIONS

**American Farm Bureau, "Farm Bureau Lists Priorities for U.S. Trade Talks," (Washington, D.C., June 18, 2003), available at**
http://www.fb.org/news/nr/nr2003/nr0618b.html.

The American Farm Bureau Federation (AFBF) does not support the proposal presented by Stuart Harbinson (chairman of the WTO agricultural committee). AFBF president Bob Stallman said that "having no WTO agreement would be better than accepting a poor agreement and the current Harbinson proposal is a poor agreement for American agriculture." However, AFBF supports certain provisions in the proposal, such as the elimination of export subsidies, the need for transparency, and the decoupling of subsidies from production. Stallman also said that FTAs are very important in promoting and creating new trade relationships, and any FTA should meet the objectives that have been set out by the United States in the WTO negotiations. In an earlier news release, "AFBF Outlines Needed Trade Reforms For U.S. Officials," Stallman pointed out that AFBF was supportive of a trade round with no product or policy exceptions and highlighted its support for a formula approach to tariff reduction that ensures market access, eliminates export subsidies, reforms the WTO's dispute settlement process, and "bas[es] a country's WTO-eligible spending on a negotiated percentage of its total value of agricultural production."

**American Farm Bureau, "Farm Bureau Urges Support for WTO Case on EU Biotech Ban," (Washington, D.C.: June 10, 2003).**

The AFBF recently called on members of Congress to support the U.S.'s WTO case against the European Union's prohibitions on biotech foods. At the request of the Farm Bureau and other groups, the Bush administration requested WTO dispute settlement consultations with the European Union in an effort to get the

European Union to lift its *de facto* ban on biotech imports. The groups wrote that "we cannot accept one form of protectionism in place of another."

**American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), *Global Fairness: Resolution Three: 2001 Convention* (Washington, D.C.: AFL-CIO, 2001).**

The main objectives of the AFL-CIO include, "changing the rules of the global economy, building economic power for working families as we hold corporations accountable, and providing broad-based education through international solidarity among working people and our allies."

**American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), "Free Trade Areas of the Americas Ministerial in Miami: An Action Plan to Oppose the FTAA," (AFL-CIO: Executive Council Action, Hollywood, Fla., February, 2003).**

NAFTA eliminated trade barriers between the United States, Canada, and Mexico nine years ago. "The results have been predictable but devastating: stagnant or falling wages, intractable poverty, growing inequality and the erosion of good jobs." Nevertheless, the U.S. government is continuing negotiations towards a Free Trade Area of the Americas (FTAA), an agreement extending the NAFTA model to the rest of the western hemisphere. On November 20th and 21st of this year, trade ministers of the hemisphere will meet in Miami to launch the final stages of FTAA negotiations. "This ministerial meeting presents a crucial opportunity for global justice advocates from all over the hemisphere to join in opposition to the failed trade model."

**The Business Round Table, *A Business Roundtable WTO Policy Paper* (Washington, D.C.: The Business Round Table, May 2003).**

The Business Round Table believes that the most effective way to re-energize the Doha Development Agenda negotiations is to make forthright commitments in areas that will generate the largest gains. Eliminating tariffs, reducing trade-distorting agricultural subsidies, and opening up trade in services are a few of these. "The prioritization of agriculture reform, tariff elimination and services liberalization is essential if Members are to achieve the Doha mandate to place the needs and interests of developing countries at the heart of the Work Program." The Business Round Table requests all countries to make the necessary policy changes toward liberalization on schedule in 2005.

**Coalition of Service Industries, "Coalition of Service Industries on the Services Negotiations in the WTO before the Trade Policy Staff Committee," (statement by Linda Schmid, Washington, D.C., November 6, 2002).**

The Coalition of Service Industries (CSI) is made up of the United States service companies and trade associations, "seeking to achieve market access in all modes of supply in all negotiating forums." Schmid points out that in 2000, the United States had a trade surplus in private services of $78 billion. CSI's priority in negotiations is transparency. CSI believes that future agreements in trade must contain "cost-cutting disciplines to promote greater regulatory transparency for services." CSI has also proposed a framework for achieving transparency, suggesting that general transparency commitments be sought in standard setting, the regulatory application process, and judicial arbitral. CSI is additionally concerned with issues relating to the temporary entry of key personnel, provisions addressing the maximum liberalization of electronic commerce, commitment to provide full market access in advertising services, and the ability to provide financial information to all end-users. In the telecommunication sector, CSI believes countries should make commitments consistent with the GATS Telecom Annex and Basic Telecom Reference Paper. For the banking, securities, and related financial services CSI advocates stability of domestic financial markets reinforced by the participation of local and international firms. In the insurance sector, a "Proposed Model Schedule for Future Insurance Commitments by the WTO Members," has been advocated, which looks at insurance commitments for market access.

**Entertainment Industry Coalition For Free Trade, "Entertainment Companies And Trade Associations Announce Creation of Entertainment Industry Coalition For Free Trade," (press release, Washington, D.C., March 13, 2003).**

A group of leading entertainment companies and trade associations formed the Entertainment Industry Coalition for Free Trade (EIC). The main objective of the EIC is to educate Congress about the importance of U.S.-Chile and U.S.-Singapore trade agreements to the entertainment industry. Specific issues that are important to the members of the coalition include "providing strong protection of intellectual property rights, strengthening copyright enforcement, increasing market access with the elimination of tariffs for all U.S. entertainment products, and proving that by rejecting the 'cultural exceptions' issue, trade agreements can be constructed to incorporate commitments on opening up service markets and address specific cultural related concerns at the same time." Doug Lowenstein, President of the Interactive Digital Software Association, said, "Securing commitments to intellectual property protection in our trade agreements is vital to the continuing efforts of the entertainment industry." In an article in the Los Angeles Times Jack Valenti, President and CEO of the Motion Picture Association of America, said he was against using American tariffs to tackle a surge in Canadian film production because "Tariffs, duties and other artificial trade barriers which interfere with marketplace competition are wrong."

**David Hale, "The Moslem World and Free Trade," The Evian Group, May 2003, available at** http://www.eviangroup.org/p/20030529.pdf.

Hale believes the poverty and political backwardness of the Middle East is due to the economic isolation of the region. Despite the oil boom of the 1970s and the early 1980s, the growth rate of countries in the Middle East and North Africa has averaged only 3.5 percent during the last three decades, compared to 5.0 percent for a large portion of developing countries. Public policy has been largely responsible for restricting trade in these countries. Half of the 22 members of the Arab league do not belong to the WTO. Lately, Moslem countries have been opening their countries to trade. Jordan has signed a free trade agreement with the United States that promotes trade and investment. Morocco is also negotiating a new free trade agreement with the United States. According to Hale, "If the trend towards economic opening continues, it should help to encourage more tolerance of political freedom and democracy in the Moslem world. History of both Latin America and East Asia, since the 1970's, demonstrates that there is a strong link between trade and democracy."

**National Foreign Trade Council, Inc., *Vision 2005: Free Trade and Beyond* (Washington, D.C.: National Foreign Trade Council, Inc., May 2002).**

NFTC worries that a failure to make bold commitments for the Doha Agenda in response to the twin challenges of globalization and increased regionalism could make the WTO increasingly irrelevant. Industrial tariffs cost the world $190 billion per year. Hence, NFTC's vision for the Doha Agenda includes progressive elimination of tariffs on industrial goods by 2020. In the agriculture sector, NFTC recommends an agreement that accomplishes the following: 1) the elimination of tariffs by a date certain, 2) substantial sectoral liberalization and successful negotiation of zero-for-zero agreements across commodities and finished food products, 3) the phasing out of all tariff rate quotas beginning no later than January 1, 2006 and ending no later than 2015, and 4) the elimination of non-tariff barriers and trade-distorting export subsidies. Regarding TRIPs, NFTC wants to, "avoid seeing TRIPs Council work program being converted into re-negotiation of basic TRIPs rules or implementation dates." NFTC also recognizes that anti-dumping negotiation must include a discussion of the United States' regime. In helping to resolve the United States and European Union dispute over taxation, NFTC recommends eliminating the Subsidies and Countervailing duty Measure (SCM) Agreement's artificial distinction in the treatment of direct and indirect taxes and to address the issues of "steel over-capacity and subsidies in the negotiations on the SCM agreement." Providing relevant technical assistance to developing countries and eliminating tariffs on products from least developed countries before 2005 are also among NFTC's priorities for the Doha Agenda.

**The Trade Partnership, "Imports and America: The Rest of the Story", (Washington, D.C.: National Retail Institute and Council of the Americas, August 1998).**

This study measures the positive impact of imports on the U.S. economy. Employment creation and the fostering of U.S. manufacturing competitiveness are the two main benefits of imports. Some of findings of study are as follows: imports improve America's standard of living, imported goods are not perfect substitutes for goods produced in the United States, the presence of imports in the United States does not necessarily result in job losses in the United States, and imports support 10 million American jobs.

**Frank Vargo, "The NAM Trade Agenda," (letter sent to the Ways & Means Committee, House of Representative by the National Association of Manufacturers, Washington, D.C., March 12, 2003), available at** http://www.nam.org

NAM acknowledges that agricultural trade reform is the most important issue in the Doha Development Agenda. They point out, however, that agricultural exports total a little over $50 billion a year while manufacturing exports total nearly $50 billion each month. Total elimination of industrial tariffs, transparency in government procurement, agreement on simpler and less costly customs, and full and timely implementation of TRIPs are some of the areas that concern NAM. Moreover, NAM is strongly supportive of the move towards FTAA and other bilateral agreements.

## FOREIGN ORGANIZATIONS AND INDIVIDUALS

**Niall Fitzgerald (Unilever), "The Doha Development Agenda: Enlightened EU-US Leadership or Pursuit of Ruthless Self-Interest" (speech delivered at the John Whitehead Lecture, Unilever Speeches, London, U.K, October 17, 2002).**

Fitzgerald points out that "enlightened US-EU leaderships is vital to renewing the transatlantic partnership and ensuring that it can play its part in delivering the global outcomes needed by a changed world." Moreover, he believes that the United States sees the WTO as a mechanism to spread globalization while the European Union sees it as a mechanism to "tame" globalization. Particular importance should be given to the elimination of trade barriers in agriculture and textiles.

**International Chamber of Commerce, *World Business and the Multilateral Trading System* (Paris, France: The International Chamber of Commerce, May 2003).**

ICC represents world businesses that believe a multilateral trading system built up through the GATT/WTO is one of the central pillars of international cooperation. ICC argues that real progress in Cancun would "reassure business, that governments are committed to further liberalize global trade and investment, send a confidence boosting signal to investors, traders and consumers, and confirm that governments attach prime importance to liberalizing trade multilaterally through the WTO." ICC recommends that the Doha Development Agenda specifically address the concerns of developing countries. ICC urges WTO member countries to reduce export subsidies and other substantial barriers to trade that severely impede and distort trade in agricultural products. Also, market access for non-agricultural products is of prime importance because of the benefits all WTO members would realize through liberalization. ICC strongly encourages "developing and LDC's to eliminate tariff barriers, provided that capacity building and sequencing of tariff cuts are appropriate to individual situations." In the services sector, ICC supports the reduction of barriers in financial, maritime transport, and express delivery services. ICC supports a dispute settlement process that ensures that when "formal adjudications become unavoidable, WTO decisions are implemented fully and expeditiously, thus minimizing retaliation."

**Pascal Lamy (EU Commissioner for Trade), "The FAQ's About Cancun," Wall Street Journal, July 17, 2003.**

According to Lamy, the meeting in Cancun is not the end of the process; rather, it marks the crucial mid-point for future talks. Since development is the key issue of the Round, integration of developing countries into the global trading system is necessary for a successful agreement. 145 out of 146 countries are ready to sign the agreement to enable access to medicines for poor countries. The United States is the only country holding back. Lamy also points out that in agriculture, the European Union has already proposed to cut trade distorting domestic support by more than half, and CAP reforms that took place in June give the European Union more flexibility in removing trade distorting policies. He emphasizes the importance of equivalent concessions from the United States and the Cairns Group. The purpose of new rules is to decrease the red tape burden by encouraging standardization and transparency, and to facilitate trade by cutting red tape at the borders. The European Union encourages bilateral talks as long as they foster regional integration and "South-South" trade. Lamy highlighted that the United States and the European Union were the two main players of the system and the EU-U.S. agreement is necessary but not sufficient for a successful round.

**Oxfam International, *Time to Make Trade Fair in 2003*, (January 2003), available at** http://www.oxfam.org/eng/pdfs/MakeTradeFair-Englisih-Final.pdf.

Oxfam believes that trade, combined with other social and economic development strategies, can be made to work for the benefit of both rich and poor countries, and should be focused on achieving the 2015 poverty reduction and human rights objectives. Oxfam has prioritized three issues for the Fifth Ministerial Conference, to be held in Cancun this year: "ending dumping by rich countries, stopping the proposed extension of the WTO liberalizing mandate into investment, competition and government procurement, and reforming the TRIPs agreement."

**Michael Rogowski (Federation of German Industries), "Business Must Speak Out On Farm Subsidies," Financial Times, June 12, 2003 p. 13.**

Rogowski urges European business leaders to encourage the European Union to reform the Common Agricultural Policy. "The EU must bear in mind that a successful trade round does not come free of charge." Another key commitment should be to counter claims that service-related negotiations would put education and healthcare at risk in developing countries. To counter such claims, more information and transparency is required. Rogowski also urges the United States to modify its anti-dumping rules and move forward towards freer trade. "A failure of the Cancun meeting would be a severe blow to the world economy."

**Troy Podbury, Ivan Roberts, David Vanzetti, and Brian S. Fisher, *Increasing Benefits from WTO Agricultural Trade Liberalization* (Sydney, Australia: Australian Bureau of Agricultural and Resource Economics, January 2000).**

The authors believe a trade round with wider coverage provides greater scope for tradeoffs between sectors than narrow, single sector negotiations. Broad-based multilateral trade negotiations offer potential benefits for developing countries, particularly in the textiles and clothing industries and the agricultural sector. The scope for agricultural liberalization could be increased through comprehensive negotiations. A simulation carried out by the authors shows that 50 percent liberalization in all sectors could result in global gains of $96.0 billion, compared to $47.0 billion for agricultural sector alone.

**Peter D. Sutherland (Chairman of BP), "World Trade Vs. World War," The Globalist, May 2, 2003.**

Sutherland points out that the World Trade organization (WTO) is not primarily a development institution or a redistributive mechanism artificially to rebalance the economic conditions of its members.

Rather, it provides the means to achieve more open markets and to continue to keep them open and competitive. Sutherland strongly believes that "unilateralism, bilateralism, regionalism and most of the other "isms" may all have their places, but they offer no durable, adequate or wise alternative to ambitious global decision-making. Multilateralism is the only approach that offers that."

**Amadou Toumani Toure and Blaise Compaore (Presidents of Mali and Burkina Faso), "Your Farm Subsidies Are Strangling Us", The New York Times, July 11, 2003.**

The presidents of Mali and Burkina Faso express their eagerness to participate in the multilateral trading system. They also emphasize the importance of the cotton sector in their countries and how it is threatened by agricultural subsidies granted by rich countries to their cotton producers. Benin, Mali, Burkina Faso, and Chad recently submitted a WTO proposal on behalf of West and Central African countries concerning the complete elimination of cotton subsidies. They stressed that they were not asking for special treatment but rather a "level playing field for their unsubsidized cotton." Moreover, they suggested that poor countries should be compensated for the damage incurred on the transition period to full elimination of subsidies.

**TransAtlantic Business Dialogue, *2002 TABD Mid Year Report* (Brussels, Belgium: June 2002).**

TABD urges all WTO members to meet the deadline proposed in the Doha Declaration. In the services sector, TABD recommends that outstanding issues from GATS, such as "the completion of an assessment of trade in services, government procurement, and the removal of trade barriers in e-commerce," be resolved. TABD characterizes agricultural liberalization as essential for creating export opportunities for developing countries. TABD is concerned that the United States and the European Union are engaged in mutually reinforcing farm supports that threaten global trade. Reduction of tariffs and non-tariff barriers for industrial goods is also supported by the TABD.

**United Nations Conference on Trade and Development, *World investment Report 2003: FDI Policies for Development: National and International Perspectives* (forthcoming September 2003).**

More countries are engaging in bilateral investment treaties (BITs) and double taxation treaties (DTTs). The developed world accounts for two-thirds of the world's FDI stock, in both ownership and allocation. In developing countries, inward FDI stock came to nearly one-third of GDP in 2001, up from a mere 13 percent in 1980. Looking at the importance of FDI in the world economy, the number of international investment agreement (IIAs) has increased tremendously in the past decade, especially at the bilateral level and regional levels. At the bilateral level, BITs are primary instruments to protect investors and DTTs are primary instruments to address the allocation of taxable income.

**United Nations Development Programme, *Human Development Report 2003* (New York: 2003).**

UNDP believes, "There is enormous scope for rich countries to expand market access and promote imports from poor countries by reducing tariffs and subsidies." Rich countries could use trade policy to support human development by implementing provisions friendly to public health under the TRIPs agreement, exempt basic social services from the progressive liberalization principle, and address the concerns of developing countries in the areas of the environment, investment, and the movement of labor.

**World Economic Forum, "The Doha Development Agenda: The Road to Cancun," (statement by the Task Force of the International Business Council).**

The International Business Council believes it is time to speak directly to governments and ask them to fulfill the commitments made in Doha in November 2001. "The difference between success and failure can be measured in economic terms—up to $400 billion on global GDP—with disproportionate impact on the developing world. But breakdown of the multilateral system of trade liberalization could also result in the breakdown of trust between developed and developing nations." The International Business Council advises business leaders to insist that their governments avoid further delays in the negotiation process, make a commitment to increasing market access, reduce government financed export competition, reduce trade distorting subsidies in agriculture and non-tariff barriers, liberalize the vast majority of service industries, and work to ensure that issues surrounding TRIPS do not become a barrier to progress on other issues in the Doha Round.

**Ernesto Zedillo, "Will the Doha Round Implode in 2003?" Forbes Magazine, January 24, 2003, available at** http://yaleglobal.yale.edu/display.article?id=790.

The present round of trade negotiations suffered major setbacks in 2002. The U.S.' imposition of steel tariffs and enactment of the farm bill combined with slow progress in the Doha Round made for a discouraging year in trade policy. Failure to meet the deadline for an agreement on access to essential medicines has made other issues in the Doha Development Agenda difficult to tackle. Discussions on special and differential treatment (S&D) provisions also failed, further handicapping broader trade negotiations. There has been extremely slow progress on agricultural sector negotiations, which most members of the WTO consider a crucial issue for the Doha Round. The WTO meeting scheduled for September in Cancun must address not only the issues above, but also more complex issues, such as the ground rules for negotiating multilateral agreements on investment and antitrust policies. "Firmer and clearer commitments to free trade by all WTO members and more enlightened leadership from the U.S. and the EU are the essential ingredients for avoiding the collapse of the Doha round."

## U.S GOVERNMENT STATEMENTS

### SPEECHES BY PRESIDENT GEORGE W. BUSH

**President Bush, (speech delivered in a commencement address to the United States Coast Guard Academy, New London, Connecticut, May 21, 2003).**

"We must also give farmers in Africa, Latin America, and Asia and elsewhere a fair chance to compete in world markets. When wealthy nations subsidize their agricultural exports, it prevents poor countries from developing their own agricultural sectors. So I propose that all developed nations, including our partners in Europe, immediately eliminate subsidies on agricultural exports to developing countries so that they can produce more food to export and more food to feed their own people."

**President Bush, (Remarks by the President at Signing of the Trade Act 2002, The East Room, August, 2002).**

"Trade is good for the American people. And I'm going to use the trade promotion authority to bring these benefits to the American people. Free trade is also a proven strategy for building global prosperity and adding to the momentum of political freedom. Trade is an engine of economic growth. It uses the power of markets to meet the needs of the poor. In our lifetime, trade has helped lift millions of people, and whole nations, and entire regions, out of poverty and put them on the path to prosperity. History shows that as nations become more prosperous, their citizens will demand, and can afford, a cleaner environment. And greater freedom for commerce across the borders eventually leads to greater freedom for citizens within the borders."

## SPEECHES BY PRESIDENT WILLIAM CLINTON

**President Clinton, (Farewell Address, January 18, 2001).**

"The global economy is giving more of our own people and billions around the world the chance to work and live and raise their families with dignity. But the forces of integration that have created these good opportunities also make us more subject to global forces of destruction, to terrorism, organized crime and narcotrafficking, the spread of deadly weapons and disease, the degradation of the global environment. The expansion of trade hasn't fully closed the gap between those of us who live on the cutting edge of the global economy and the billions around the world who live on the knife's edge of survival. This global gap requires more than compassion; it requires action. Global poverty is a powder keg that could be ignited by our indifference."

## ARTICLES AND SPEECHES BY ROBERT ZOELLICK

**Robert B. Zoellick, "Countering Terror With Trade," Washington Post, September 20, 2001, p. A35.**

According to Zoellick, following the attacks on September 11, the United States must send "an unmistakable signal to the world that the United States is committed to global leadership of openness and understands that the staying power of the new coalition depends on economic growth and hope."

**Robert B. Zoellick, "Our Credo: Free Trade and Competition," The Wall Street Journal, July 10, 2003.**

It is important for the United States as well as the European Union to push forward the Doha Development Agenda. That is why the United States has proposed the elimination of all tariffs on manufactured goods and by 2015 and the elimination of export subsidies in agriculture. Following the European Union's reform of the Common Agricultural Policy, leadership from Japan would benefit the international trading system. If other countries choose protectionism over free trade then the United States should not let one nation block progress. The U.S strategy is based on competition and that is why the United States has been pressing forward with a portfolio of free trade agreements. "We will do our best at Cancun to keep the Doha negotiations on track. But if others falter, the Bush administration will keep negotiating for free trade."

**Robert B. Zoellick, "Globalization, Trade, and Economic Security," (speech delivered at the National Press Club, Washington, D.C., October 1, 2002).**

Zoellick explains America's ten-point trade agenda for "harnessing the power of openness to grow America's economy, safeguard security, and promote development and democracy." Zoellick points out that President Bush understands the need for U.S. leadership in trade, and plans to use that leadership to expand economic freedom at home and abroad.

**Robert B. Zoellick, "The WTO and New Global Trade Negotiations: What's at Stake," (speech delivered at the Council on Foreign Relations, Washington, D.C., October 30, 2001).**

Since 2001, the United States has encouraged the development of a coalition to launch a new global trade negotiation in the WTO. The United States started by building a close partnership with the European Union, and both these countries have also reached out to an informal network of countries that, despite differing interests and concerns, are drawn together by the shared objective of promoting further trade liberalization. "Together we have concluded that a key to a successful launch at the Doha Ministerial is an agreed agenda that will accommodate the essential interests of the various members and will also gain public support." Zoellick points out that if the WTO falters, the United States will continue to pursue trade liberalization using regional and country-by-country alternatives.

## EDITORIAL COMMENT

### NEW YORK TIMES

**"Harvesting Poverty"** **http://www.nytimes.com/ref/opinion/harvesting-poverty.html**.

The New York Times editorial page has recently focused on the damaging effects that American, European and Japanese agricultural subsidies and trade barriers have on farmers in developing nations. As summarized by the New York Times, the editorials published to date are:

**PHILIPPINES**
**The Rigged Trade Game** (July 20, 2003)

Poor countries trying to enter world markets are deterred by the richest nations' policies favoring their own farmers.

**VIETNAM**
**The Great Catfish War** (July 22, 2003)

The prospects for Vietnamese catfish farmers show how poorer nations are affected by trade regulations in the developing countries.

**BURKINA FASO**
**The Long Reach of King Cotton** (August 5, 2003)

Public subsidies for American cotton have led to a large decline in world prices, perpetuating poverty among Burkina Faso's two million cotton farmers.

**FRANCE**
**Napoleon's Bittersweet Legacy** (August 11, 2003)

The European Union's protectionist policy on sugar comes at the expense of farmers in the developing world who are being denied the benefits of globalization.

**Inching Toward Trade Fairness** (August 15, 2003)

The U.S. is encouraged to play the pivotal role of mediator at the upcoming W.T.O. meeting Cancun, rather than digging in its heels at Europe's side.

### FINANCIAL TIMES

The Financial Times editorial page has started a series of editorial comments on trade. To date, two editorials have appeared:

**The Challenge for Trade in Cancun** (August 14, 2003)

The FT calls on all countries to open their markets and realize the benefits of trade. The WTO negotiations have seen little progress. The hardest challenge for the negotiations will be to overcome opposition at home; to do so, politicians will need to make a more forceful case of the benefits of trade.

**The Mess in the WTO Farmyard** (August 18, 2003)

Although the US-EU proposal on agriculture is incomplete, the two parties deserve credit for trying. The world agriculture market is riddled with barriers and distortions. Liberalization would benefit developing nations, but taxpayers and consumers in developed nations would benefit even more.

## APPENDIX 2: THE DOHA DECLARATION'S WORK PROGRAM[1]

Twenty-one subjects are listed in the Doha Declaration. Most involve negotiations; other work includes actions under implementation, analysis, and monitoring, although some of these also require negotiations.

- Implementation-related issues and concerns
- Agriculture
- Services
- Market access for non-agricultural products
- Trade-related aspects of intellectual property rights (TRIPS)
- Relationship between trade and investment
- Interaction between trade and competition policy
- Transparency in government procurement
- Trade facilitation
- WTO rules: anti-dumping
- WTO rules: subsidies
- WTO rules: regional trade agreements
- Dispute Settlement Understanding
- Trade and environment
- Electronic commerce
- Small economies
- Trade, debt and finance
- Trade and transfer of technology
- Technical cooperation and capacity building
- Least-developed countries
- Special and differential treatment

[1] http://www.wto.org/english/tratop_e/dda_e/dda_e.htm

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